



State of North Carolina

Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

June 26, 2003

MEMORANDUM NO.PR2003-011

TO: All Agencies Served by the State Controller's Office
Payroll Section

FROM: Roger Farmer
Payroll Administrator

SUBJECT: New Federal Tax Tables, Withholding Allowances and Supplemental Tax Rate

We provided notification concerning the new federal tax tables, withholding allowances and supplemental tax rate (which are effective in this month's pay checks) in memorandum PR2003-010 dated June 5, 2003. We are again listing below the old and new amounts for the withholding allowances and supplemental tax rate, for your information.

	TAX WITHHOLDING ALLOWANCE		SUPP PERCENT	
	OLD AMOUNT	NEW AMOUNT	OLD	NEW
Semimonthly	\$ 127.08	\$ 129.17	27	25
Monthly	254.17	258.33		
Annual	3,050.00	3,100.00		

It is important to note that the new tax tables may reduce the amount of federal tax withheld from employee wages. Please advise your employees that if they do not want to have their federal tax withholding reduced, they will need to file a new Form W-4, (Employee's Withholding Allowance Certificate), with the agency payroll office. They may claim fewer withholding allowances on line 5 or may claim an additional amount of tax to be withheld on line 6 in whole dollar amounts. For additional help, please direct them to the IRS website at www.irs.com to download Publication 919, "How Do I Adjust My Tax Withholding?" The IRS website also has a Tax Calculator that may be used.

The tax-withholding table includes changes in the percentage rates and the range limits. Because of the change in some percentages and range limits, we have listed some **representative examples** of federal tax calculations under the old tables and the new tables. The examples are based upon the use of the 6% employee contribution for retirement and one withholding allowance, either single or married. The sample illustrations also do not include, except for retirement, any deferred or pre-tax deductions.

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June 26, 2003

Page 2

Representative Examples of Federal Tax Calculations Under the Old & New Tables

SEMIMONTHLY

PAYMENT AMOUNT	TAXABLE WAGES*		SINGLE FED INCOME TAX CALCULATION			MARRIED FED INCOME TAX CALCULATION		
	OLD	NEW	OLD TABLE	NEW TABLE	TAX SAVINGS	OLD TABLE	NEW TABLE	B
\$ 350.00	\$ 201.92	\$ 199.83	\$ 9.19	\$ 8.98	\$.21	\$.00	\$.00	\$.00
1,200.00	1,000.92	998.83	121.34	118.62	2.72	84.79	70.07	14.72
2,500.00	2,222.92	2,220.83	420.91	395.71	25.20	273.12	253.37	19.75
4,000.00	3,632.92	3,630.83	828.19	771.51	56.68	653.82	558.16	95.66

* (TAXABLE WAGES = PAYMENT AMOUNT LESS 6% RETIREMENT, LESS TAX WITHHOLDING ALLOWANCE)

MONTHLY

PAYMENT AMOUNT	TAXABLE WAGES*		SINGLE FED INCOME TAX CALCULATION			MARRIED FED INCOME TAX CALCULATION		
	OLD	NEW	OLD TABLE	NEW TABLE	TAX SAVINGS	OLD TABLE	NEW TABLE	TAX SAVINGS
\$ 350.00	\$ 74.83	\$ 70.67	\$.00	\$.00	\$.00	\$.00	\$.00	\$.00
1,200.00	873.83	869.67	73.32	67.95	5.37	33.58	20.27	13.31
2,500.00	2,095.83	2,091.67	356.62	251.25	5.37	183.67	154.15	29.52
4,000.00	3,505.83	3,501.67	587.86	556.22	31.64	395.17	365.65	29.52
5,500.00	4,915.83	4,911.67	968.56	908.72	59.84	673.01	577.15	95.86
7,000.00	6,325.83	6,321.67	1,374.25	1,279.63	94.62	1,053.71	881.22	172.49
8,500.00	7,735.83	7,731.67	1,797.25	1,674.43	122.82	1,434.41	1,233.72	200.69
11,000.00	10,085.83	10,081.67	2,502.25	2,332.43	169.82	2,091.98	1,828.53	263.45

* (TAXABLE WAGES = PAYMENT AMOUNT LESS 6% RETIREMENT, LESS TAX WITHHOLDING ALLOWANCE)

Please feel free to share this information with your employees. We would appreciate your assistance in addressing their questions related to the new tax tables. Thank you!